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C O N F I D E N T I A L SECTION 01 OF 02 HILLAH 000114

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TAGS: [ENRG](#) [EPET](#) [ECON](#) [EFIN](#) [PGOV](#) [SOCI](#) [IZ](#)  
SUBJECT: BABIL PC REGULATES FUEL SUPPLIES AND LEVIES TAXES FOR  
CHARITABLE CAUSES

REF: A) HILLAH 108 B) BAGHDAD SBU O-I, 7/19/2007

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CLASSIFIED BY: Charles F. Hunter, PRT Leader, PRT Babil, REO  
Al-Hillah, U.S. Department of State.  
REASON: 1.4 (b), (d)

11. (U) This is a PRT Babil Cable.

12. (C) PRT Babil recently met with Basem al-Janabi (ISCI), chairman of the Babil Provincial Council (PC) energy committee to discuss the provincial government's efforts to regulate the distribution of fuel supplies in the province. Formed in 2006 with the consent of the PC, the committee also levies taxes on fuels. According to Basem, in addition to funding the committee's budget, fees go toward traditional charitable causes rather than the maintenance and development of provincial infrastructure and essential services. Approximately 300 employees collect the fees, which Basem claimed amounted to ID 1 billion over the past year. These funds go toward life-saving medical treatment and assisting unmarried persons of both genders to marry (NFI) rather than provincial infrastructure and essential services. Among officials and the public, allegations of official corruption are rife, but impossible to pinpoint.

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GASOLINE, DIESEL, PROPANE, AND KEROSENE  
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13. (U) Babil taxes gasoline and diesel bound for commercial vehicles according to vehicle size. This fee is paid upon entry into the filling station with rates ranging from ID 250 for small vehicles to ID 1000 for large trucks. Officially, commercial users of propane in Babil province are taxed ID 1000 per cylinder, though several local staff report having to pay varying amounts of extra charges on top of the official price. Allocation of funds is subject to PC approval. In light of last winter's kerosene shortage, Basem said that the PC was stockpiling on supplies during the summer in order avoid another shortage. He claimed that Babil plans to allocate 220 liters per household, and contrasted this to last year when residents were "lucky to receive 150" liters. The committee plans to impose a tax of ID 150 on the 220 liter allocation. Basem also attempted to address the allegations of corruption, noting the committee's declared efforts to end corruption in the distribution process by replacing the easily forged ration coupons printed by the province last year with a roster of residents provided to the distributor who then verified identities against his list.

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NEIGHBORHOOD GENERATORS: REGULATION AND ITS DISCONTENTS  
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14. (SBU) The PC requires all neighborhood generator operators to register with mokhtars (neighborhood chiefs) who, in turn, coordinate with the district council (DC) energy committee to determine the monthly diesel allocation required by each generator per month. Due to rising fuel prices -- particularly on the black market -- the committee capped the price of electricity from neighborhood generators at ID 6,000 per ampere (ref A) and demanded neighborhood operators run their generators six hours per day in return for price and supply guarantees. However, the PC's actions have not satisfied the demands of generator operators who recently joined tanker drivers in a protest outside the Babil PC building in al-Hillah over Babil's low fuel allocation and continuing long lines of between five and seven hours at the pump. Basem responded by assuring the demonstrators that their rations would be increased to 300 liters, the appropriate allotment, as opposed to the 100 liter limit which Basem said was a result of poor distribution to Babil province (refs B). (Note: Sources report no increase in the fuel ration. End note.)

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COMMENT:  
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15. (C) Comment: Babil's ramshackle energy policy stems from an unclear separation of powers between national and provincial authority, along with an ingrained and knee-jerk socialist response to the chronic energy shortages caused by a combination of a poor security environment and the persistence of a command economy in the energy sector. With regard to the power to levy taxes, the Babil PC appears to be acting within the guidelines established by CPA 71, which grants governorate councils the authority to tax. The energy committee's decision to allocate such funds toward charitable purposes is reflective of Islamic tradition, while its policies taken in response to the shortage of energy have only served to exacerbate widespread public discontent at the long gas lines and insufficient power, not to mention fueling the ire of generator operators who resent PC

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efforts to limit their profits. Moreover, the opaque accounting methods and pricing inconsistencies raise serious questions regarding corruption or, even worse, the possibility that a portion of the revenue may go toward nefarious purposes. That said, Babil's regulation and taxation of energy are apparently unique among provinces in the south central region. It is too early to tell, however, if these policies will morph into a more sophisticated provincial revenue collection policy. End Comment.  
HUNTER